October 2023 Mark(et) Rush Report

By

Mark Rush

http://traderwasteland.wordpress.com/

Dustin Moore, Broken Bridge, Flickr

Octomber 2nd, 2023

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Preface

Once again, it is time for my quarterly market review, when I examine world events and attempt to understand their implications on the markets. This report is my time to reflect on current events, portfolio performance, event scenarios, and their subsequent consequences on world equity markets and investment strategies.

It is my goal in life to have my money working for me instead of me working for my money.

Please remember that I am an *amateur* investor, and this document is a *hobby*. Any thoughts and concepts should be treated as such. Please consult a professional financial advisor before making any investment decisions regarding your investment ideas, goals, and strategies. Continue reading this document at your own risk…

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Introduction

Greetings!

After anticipating it for nearly six months, we finally witnessed a slight market sell-off. Now, the pressing question arises: Is this the time to buy, or should I sell before potential further declines? We will dig into these aspects of the market and attempt to determine a course of action.

All data for this report was gathered and compiled on the weekend of September 30th. Prices, ratios, indices, and outlooks may have changed materially since that time.

For those seeking a concise version of this report, please refer to Chapter 6 and the updated investment ideas in the Appendices.

Mark

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Chapter 1
Considerations

The Ukraine War

The ongoing conflict in Ukraine appears to have reached an impasse, showing signs of a stalemate on the ground. As winter approaches, it is reasonable to expect a lull in active combat, giving both sides an opportunity to regroup.

The Western allies have continuously ramped up their support for Ukraine. Their aid, in terms of increasingly sophisticated weaponry and financial backing, has become a significant factor in the balance of power in the region. In fact, the magnitude of Western aid now surpasses the entire annual budget of the Russian military, highlighting the immense international backing Ukraine has gained.

In response to this mounting pressure, Russia has escalated its strategic positioning by relocating tactical nuclear weapons to Belarus. Furthermore, Russia has had to respond to several military strikes on its own soil, indicating that the boundaries of this conflict are no longer limited to Ukraine alone.

However, this ever-increasing external support to Ukraine is putting Russia under enormous strain. While the direct financial and military implications are evident, there is a deeper, more profound concern: the potential of this conflict to transform into a long-term, existential threat for Russia. With its resources and national pride on the line, the geopolitical stakes are high.

The international community's strategy seems to be pushing Russia further into a defensive position. While this might be aimed at deterring further aggression, it is important to recognize the broader implications. Pressuring an already cornered nation, especially one with a vast nuclear arsenal, increases global risks. The shadow of nuclear conflict looms larger with each passing day, and as tensions escalate, the importance of diplomatic solutions becomes ever more critical.

Things keep escalating at a notable pace… the trajectory is alarming.

Inflation, The Fed, and Interest Rates

The Federal Reserve, in its pursuit to keep inflation in check, has currently taken a break from raising interest rates. This pause compels us to exercise patience and closely monitor upcoming data before making future predictions. As it stands, rates are positioned at 5.5%, while inflation hovers around 3.67%.

The primary objective of such rate hikes is to curb inflation. If the current rate of inflation can be sustained or further reduced, it would signify a successful strategy by the Federal Reserve. Initially, there were reservations, including my own, regarding the value of this

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approach. However, the present figures indicate that the Federal Reserve's strategy might be bearing fruit.

Nonetheless, it is necessary to understand that macroeconomic indicators are influenced by numerous factors. While the early signs are promising, time will provide a clearer picture of whether the rate hikes have genuinely established a long-term control over inflation.

Inflation has moderated, and the Fed has paused

Energy

Although energy prices have seen a recent decline, the current oil price of $90.79, up from $70.64 in my last report, remains elevated. When we consider the pre-Covid price range of $42.5 to $75 per barrel, the existing price clearly skews towards the higher end.

Analyzing the chart provided on the next page, there is a noticeable breakout, indicative of significant market movements and possible underlying factors affecting the price. Such breakouts are often suggestive of pivotal moments in the commodity's price trend and can be influenced by various global events, supply-demand dynamics, or geopolitical situations.

Soft-Landing Scenario: Should we witness a soft landing — a situation where the economy slows down without entering a recession — it is plausible that oil prices might rise further. A soft landing often ensures that the demand for oil remains relatively stable, if not increasing, as economic activities continue without any sudden breaks.

Recession Scenario: On the flip side, if global economies enter a recessionary phase, a decline in oil prices can be anticipated. Recessions typically lead to

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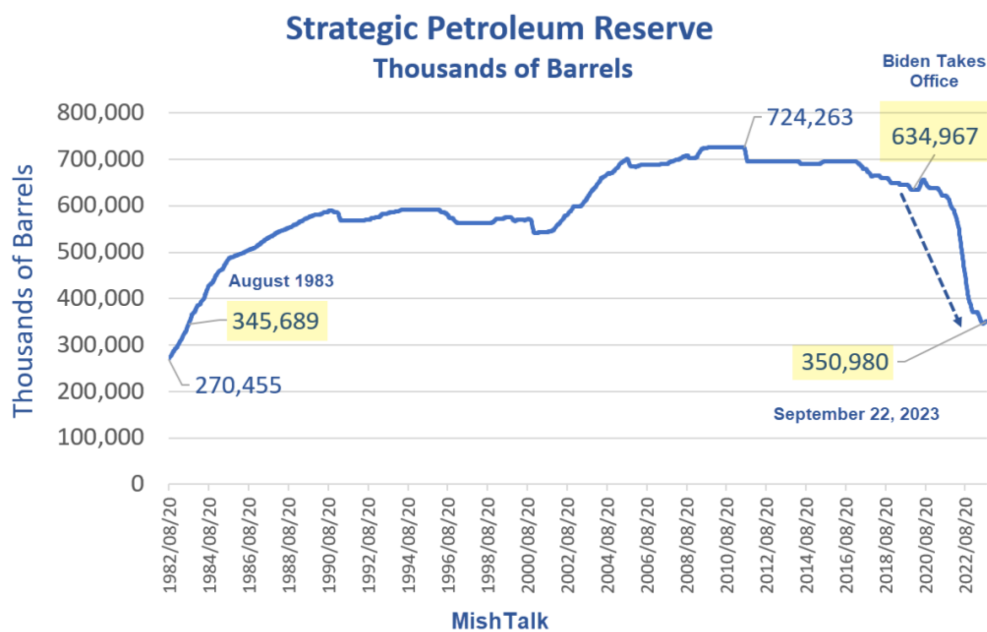
reduced industrial activity, transportation, and overall consumption. This downturn in demand, combined with potentially stable or even increasing supply, could exert downward pressure on oil prices.

While the global landscape sees relatively modest oil prices, the U.S. continues a puzzling path by depleting its emergency Strategic Petroleum Reserve (SPR). Established as a safeguard against major energy disruptions, the SPR's importance cannot be understated, especially in the current volatile geopolitical environment.

With tensions rising and challenges presented by significant global players like Russia and China, the reserve's depletion is alarming. Currently, the Strategic Petroleum Reserve sits at its most reduced level in four decades. Such a depleted state is concerning, especially when considering potential future scenarios where the U.S. might find itself in dire need of energy reserves.



The SPR exists to ensure energy security in times of severe disruptions. Its depletion for reasons other than genuine emergencies might leave the nation vulnerable in potentially risky situations.

Oil is higher, while the SPR is inexcusable low

The Future Impact of AI on Corporate Profits and the Global Economy

Artificial Intelligence (AI) is rapidly becoming a cornerstone of the global economic framework. Its capabilities to optimize operations, streamline supply chains, and predict market trends promise significant boosts to the global GDP. By enhancing decision-making processes, automating routine tasks, and creating new avenues for innovation, AI can lead to greater productivity and expanded markets for businesses worldwide. As companies across diverse sectors harness the potential of AI, we are likely to see a surge

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in output and efficiency, propelling economies forward and contributing to unprecedented growth rates.

However, AI's transformative power is not without its challenges. As automation becomes more prevalent, certain employment sectors may feel the pinch. Traditional roles in areas like manufacturing, data entry, customer service, and even some facets of financial analysis could see reductions as AI systems take over these tasks. The rapid evolution of AI means that the workforce must be ready to adapt, retrain, and embrace new roles. While AI will inevitably create new job opportunities and sectors, the transition could be painful for those in roles rendered obsolete. Kill all humans!! Balancing the monumental economic benefits with the social implications of job losses will be a defining challenge of our era.

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Chapter 2
The Charts

A picture is worth a thousand words, but in my case, it might be just a couple of dozen. Let us examine the charts to gain insight into what has transpired and what the future might hold.

S&P 500 (4288.05)

The chart displayed an upward trend until August, after which it began its descent. Currently, it seems poised for a notable shift. Given that we are in the period of the usual October seasonal selloff, one might wonder if this recent movement was indicative of it. I observe a strong support level around 4200. However, there is a potential for the market to decline by an additional 20% from there. We could also move toward 4800. The range between 4200 and 4350 seems to be a neutral zone, and I would advise against any heightened expectations unless the market exceeds these boundaries and maintains that position for several days. Should this occur, it could set the trend for the upcoming months.

The chart appears to be at a decision point

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U.S. 10-Year Bond Rates

The behavior of bond yields recently has been surprising for me. I had anticipated a decline upon reaching 4.35%, and I'm grateful I did no place any bets on that outcome. To be candid, I don't fully get the drivers of this move. It seems to be on the heavier and peakier side, buy my initial assessments have proven off-target. If we see an uptick in inflation, there's potential for these yields to climb even higher.

Rates are going up as if there is more inflation around the corner

TIPS

Since this instrument is fundamentally linked to the inflation rate, a decrease in inflation would likely lead to a drop in its yield. The breach of the longer-term trend line suggests that the market is anticipating moderate inflation. Going forward, it would be wise to keep a close watch on Tips for signs of inflation.

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The TIP has seen a decline, currently sitting 10% off its recent peak. However, its 4% yield provides some cushion against this drop. At this juncture, the market seems to be signaling a stabilization in inflation. There is some indications that it may have capitulated and may be getting ready for another upward trend?

This chart shows a drop in inflation expectations

Crude Oil

This shift was both swift and unexpected, highlighting the unpredictable nature of the market at times. Given the commodity's pivotal role in forecasting economic trends, especially potential contractions, it is important to keep a close eye on its movements. This tells us that there is strong global economic growth expected.

Higher oil is bad for the economy

Copper

The trend is erratically down… this may be mostly due to dollar strength.

They say Dr. Copper has a Ph.D. in economics… copper has been treading down

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U.S. Dollar

Another unexpected breakout that needs watching.

The dollar has strengthened, and now need to be watch to see if it holds

Conclusions:

S&P 500: Down
Rates: Up
Tips: Down, inflation under control
Oil: Up
Copper: Slight downtrend
U.S. Dollar: Higher

Conditions are concerning, they need to be watched for further deterioration.

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Chapter 3
The Fundamental Indicators

<u>Economic Projections</u>

The *<u>headline numbers were my predictions at the beginning of 2023;</u> these predictions may now be laughably wrong.*

US Gross National Product (GDP) > 1.0% by the end of 2023

US GDP forecasts are now up to 2.1%, while Global GDP is steady at 2.9% growth.

The GDP projections are stable, but a recession is possible later this year

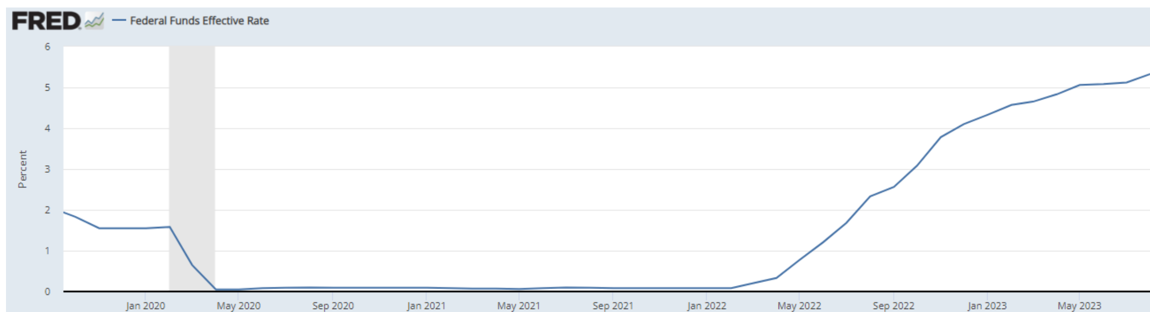
Unemployment will be > 4.0% by the end of 2023

The official unemployment rate was stable at 3.8% August; it finished at 3.7% last year.

Unemployment currently is beneficial

Federal Reserve rates will be < 5.00% by the end of 2023

We are now at 5.25%-5.50%. I believe we are at the end of rate hikes.



I believe the Federal Reserve is done raising rates

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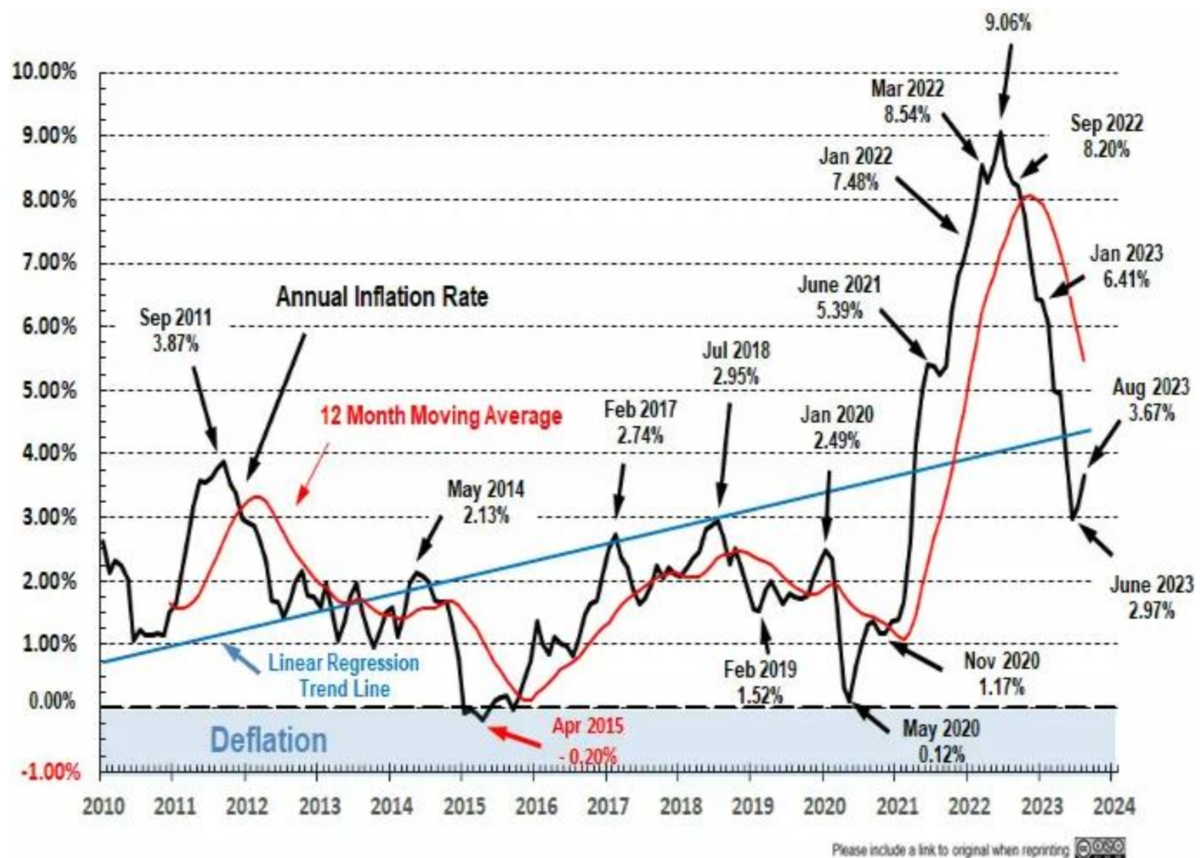
Inflation < 4.0% in 2023

The latest inflation was an annual rate of 3.67%. We have likely saturated the money supply; I expect inflation to stay under 5% this year, but something in the 3-5% range is the new normal due to excessive U.S. debt levels.

It is a busy chart but worth looking at it and understanding.



Current inflation is high; but trending down…

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S&P 500 index > 4000 at the end of 2023

The S&P 500 index opened 2023 at 3,839.50 and has climbed to 4,288.05, marking an 11.68% increase so far this year.

The markets are trending sideways and looks to move in an unknown direction.

Real Estate Average Home <$325k in 2023

In 2023, housing prices opened at $343.9k and have since increased to $349.8k. Meanwhile, the 30-year mortgage rate has risen significantly, jumping from 3.02% at the start of 2022 to approximately 7.20% currently. This shift in prices has consequentially altered the average mortgage payment. Assuming a 20% down payment, the average monthly mortgage payment went from $1,070 in 2022, to $1,821 at the outset of 2023, and now stands at $1,900. Over the past two years, due to rising mortgage costs and associated taxes from increased income, an individual needs to earn an additional $6-8 per hour.

National Average Mortgage Rates

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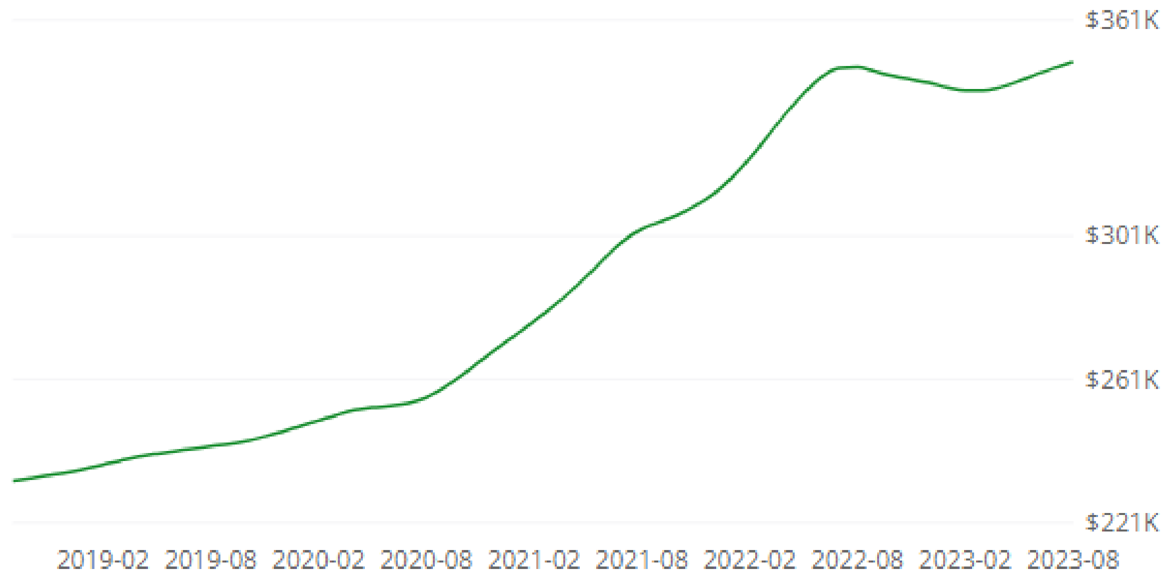
Housing price projections



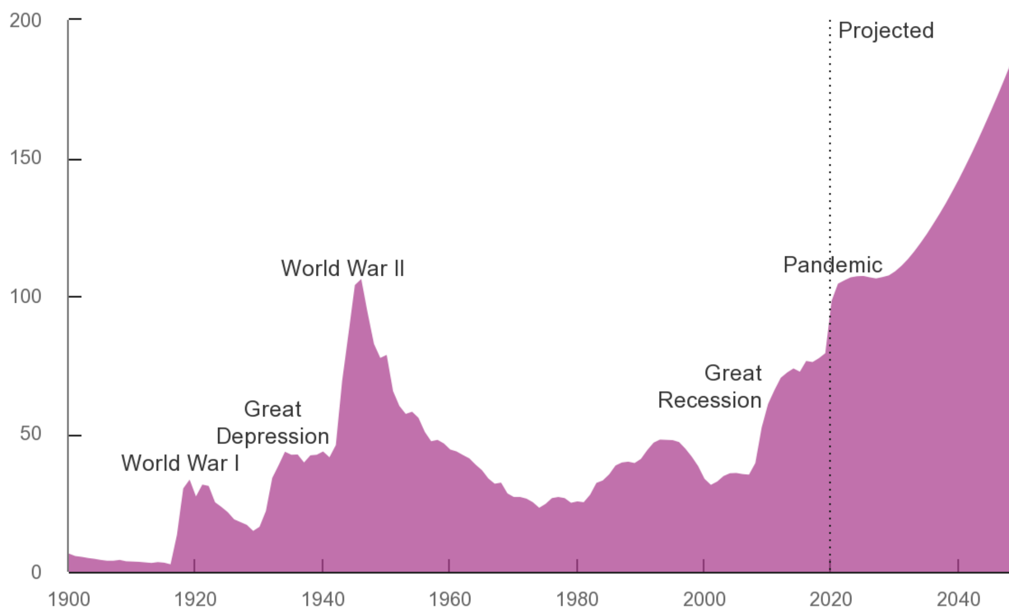
The rise in rates and home prices may have paused, but it is still too high

>1.2 trillion Dollar Budget deficit for F.Y. 2023

The deficit has already risen to $1.5 Trillion this year and is expected to be >$1.8 trillion next year…

Federal Debt Held by the Public, 1900 to 2050

Percentage of Gross Domestic Product



The debt spiral had already begun; the pandemic has only accelerated it.

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Chapter 4
The Technical Indicators

Technical analysis attempts to forecast the future direction of prices by studying past market data. I use Barchart (http://www.barchart.com/) to develop an investment's final "objective" opinion. Its primary ability (flaw) is to predict the future by extrapolating past performance. One phrase does come to mind, "Past performance is not an indication of future results," although this is precisely what these calculations try to do.

Model Portfolio and other technical indicators (+100% = strong buy; -100% = strong sell)

U.S. ETFs	1/1/23	7/1/23		Link
SPY	-72%	+100%	+24%	http://www.barchart.com/opinions/etf/SPY
QQQ	-100%	+100%	+24%	http://www.barchart.com/opinions/etf/QQQ
IWM	-88%	+56%	-40%	http://www.barchart.com/opinions/etf/IWM

International				
EFA	+56%	+56%	-72%	https://www.barchart.com/etfs-funds/quotes/EFA/opinion
EEM	-24%	+72%	-72%	http://www.barchart.com/opinions/etf/EEM

Bonds	1/1/23	7/1/23	7/1/23	Link
TLT	-72%	-72%	-100%	http://www.barchart.com/opinions/etf/TLT
SHY	-56%	-56%	-80%	http://www.barchart.com/opinions/etf/SHY

Gold/Oil/Dollar Index/Euro/Yen				
GLD	+56%	+8%	-88%	http://www.barchart.com/opinions/etf/GLD
USO	-72%	-88%	+100%	http://www.barchart.com/opinions/etf/USO
UUP	-56%	+56%	+100%	http://www.barchart.com/opinions/etf/UUP
FXE	+72%	+88%	-72%	http://www.barchart.com/opinions/etf/FXE
FXY	+56%	-88%	-100%	http://www.barchart.com/opinions/etf/FXY

Volatility Index (a positive number is bad for the markets)				
VIX Index	-100%	-100%	0%	http://www.barchart.com/opinions/stocks/$VIX

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Volatility

Volatility Chart (market fear index)

The Volatility Index (VIX) is often referred to as the "fear gauge" of the S&P 500 stock index and is used as a proxy for the general U.S. stock market. A lower VIX indicates reduced market anxiety, which typically correlates with increased investor confidence and, consequently, higher stock prices. Conversely, a higher VIX suggests elevated fear, signaling potential caution or uncertainty in the market.

The VIX is subdued but at an inflection point

Ten's minus Two's

A reliable recession indicator is the spread between the U.S. 10-Year Treasury Yield and the 2-Year Treasury Yield, often referred to as the '10s minus 2s' spread. The first chart provides a view spanning over 20 years, with grey areas highlighting recessions. Historically, the spread tends to go negative (indicative of an inverted yield curve) several months before the onset of a recession.

Traditionally, such a trend often signals a looming recession. While it is not always a definitive indicator, it usually points in that direction. Note that we have dipped below that threshold once more. From the previous level of -1.06, we have moved up to -0.44.

The 10's minus 2's spread is flashing a recession warning

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Technical Summary…

On average, U.S. stocks and the VIX are currently neutral. Meanwhile, oil and the dollar are strong buys, with most other assets positioned as sells.

Although the core indicators appear largely favorable, except for housing and the US budget deficit, my interpretation leans more towards a 'wait and see' stance, if not an outright sell signal.

The indicators are "Risk-Off" overall.

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Chapter 5
Mark's Model ETF Portfolios

Asset Allocation

I have constructed four portfolios, each with varying levels of riskiness from lower to higher risk, just by using a combination of 12 (or fewer) Exchange Traded Funds. The results (next page) include fund fees but not broker transactions or money manager fees.

U.S. large-company funds:	**Stock Market Symbol**
S&P 500 fund	**SPY**
Nasdaq 100 (Tech) fund	**QQQ**
Dow Jones Industrial Average fund	**DIA**
Vanguard value fund	**VTV**
U.S. small-company fund:	
Russell 2000 small U.S. company fund	**IWM**
International company funds:	
Europe, Australasia, and Far East	**EFA**
Emerging Markets Fund	**EEM**
Fixed Income (Bond) funds:	
20+ Year U.S. Treasury Bonds	**TLT**
7-10 Year U.S. Treasury Bonds	**IEF**
US Aggregate Corporate Bonds	**AGG**
Investment Grade Corporate Bonds	**LQD**
Short bond term fund (cash):	
iShares 1-3 Year U.S. Treasury Bonds	**SHY**

Allocation of Portfolio by Risk Level

	Low	Balanced	Growth	Aggressive
SPY	5%	7.5%	10%	7.5%
QQQQ	5%	7.5%	10%	7.5%
DIA	5%	7.5%	10%	7.5%
VTV	5%	7.5%	10%	7.5%
IWM	10%	10%	20%	30%
EFA	5%	10%	15%	20%
EEM:	5%	10%	15%	20%
TLT	12.5%	8.75%	2.5%	0%
IEF	12.5%	8.75%	2.5%	0%
AGG	12.5%	8.75%	2.5%	0%
LQD	12.5%	8.75%	2.5%	0%
SHY	10%	5%	0%	0%

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Model Portfolio Results

Name	Symbol	12/31/22 Price	9/30/23 price	Yield Rate (Est.)	2023 Gain w/ Dividend
S&P 500 fund	SPY	$382.43	$427.48	1.47%	13.02%
Nasdaq 100 (Tech) fund	QQQ	$266.28	$358.27	0.56%	35.11%
Dow Jones Industrial Average fund	DIA	$331.33	$334.95	2.02%	2.62%
Vanguard Value fund	VTV	$140.37	$137.93	2.55%	0.14%
Russell 2000 Small-Cap fund	IWM	$174.36	$176.74	1.49%	2.49%
Europe, Australasia, and Far East fund	EFA	$65.64	$68.92	2.54%	6.99%
Emerging Markets fund	EEM	$37.90	$37.95	1.09%	0.95%
20+ Year U.S. Treasury Bond fund	TLT	$99.56	$88.69	3.27%	-8.73%
7-10 Year U.S. Treasury Bond fund	IEF	$95.78	$91.59	2.61%	-2.50%
U.S. Aggregate Corporate Bond fund	AGG	$96.99	$94.04	2.86%	-0.96%
Investment Grade Corporate Bonds	LQD	$105.43	$102.02	3.75%	-0.51%
1-3 Year U.S. Treasury Bond fund	SHY	$81.17	$80.97	2.48%	1.61%

RESULTS	Low Risk	Balanced	Growth	Aggressive
’23 Return	1.76%	3.83%	6.46%	6.15%
’22 Return	-16.80%	-16.95%	-17.23%	-17.59%
’21 Return	5.46%	8.89%	14.06%	13.63%
’20 Return	13.13%	14.37%	16.39%	16.47%
’19 Return	16.75%	19.79%	24.18%	24.53%
’18 Return	-3.6%	-5.29%	-7.97%	-10.06%
’17 Return	12.10%	16.88%	22.60%	24.16%
’16 Return	6.92%	8.34%	11.58%	12.73%
’15 Return	-0.91%	-1.48%	-2.47%	-3.96%
’14 Return	9.16%	8.31%	6.71%	4.25%
’13 Return	8.34%	13.31%	22.72%	24.75%
’12 Return	8.97%	11.56%	15.30%	16.86%
’11 Return	7.02%	3.30%	-2.52%	-6.51%
’10 Return	11.17%	12.45%	15.53%	16.91%
’09 Return	11.14%	19.65%	31.48%	36.54%
’08 Return	-8.18%	-18.66%	-33.90%	-39.60%
’07 Return	7.82%	9.40%	10.04%	10.45%
’06 Return	9.72%	13.63%	19.09%	21.83%
’05 Return	5.49%	7.55%	9.73%	11.77%
Average annual return	**5.16%**	**6.19%**	**7.56%**	**7.41%**

Many pension funds and endowments would have paid handsomely for this performance. Yet, here they are offered up to anyone…. for free.

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Chapter 6
The Plan

Every trader reserves the right to make a more intelligent decision today than he made yesterday. - Sheldon Natenberg

The Good

- Innovations and efficiencies create new real wealth every day.
- AI will foster economic efficiencies, reducing costs and increasing production.
- Fed rate hikes appear to be approaching their conclusion.
- Resilient global GDP growth.
- A bumper crop export from Russia may avert a potential famine this year.

The Bad

- Potential underground nuclear "test" by Russia within its borders.
- "Ten minus twos" signaling a looming recession.
- Risk of a banking crisis due to elevated interest rates.
- Lower consumer confidence.
- Lofty oil prices.
- Stagnant S&P 500 earnings growth.
- Softness in the housing market.
- Commercial real estate concerns.
- Deepening partisan politics.
- Known unknowns

The Ugly

- AI's potential to soon displace a large portion of skilled workers.
- Possibility of an above-ground nuclear "test" by Russia outside its borders.
- Risk of a Fed-triggered global financial crisis.
- Escalating federal, state, and local debt levels reaching unsustainable heights.
- A populace unaware of the mechanisms that cater to their basic needs.
- Leadership that seems incapable of foreseeing the repercussions of their decisions.
- Unknown unknowns, the kind that blindsides you at 4 p.m. on some idle Tuesday

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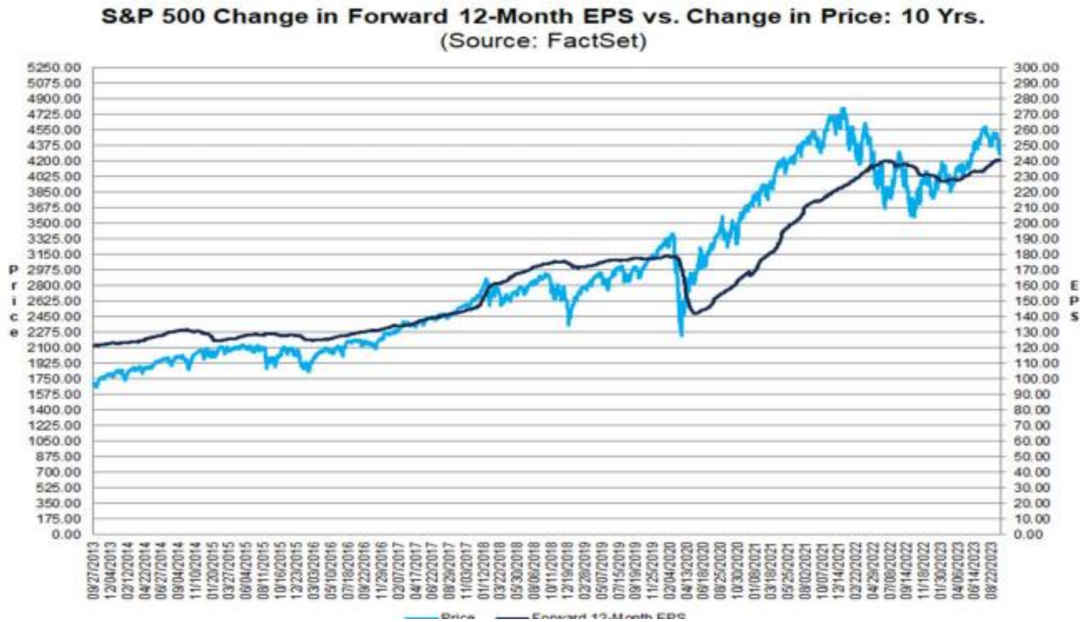
S&P 500 Valuation

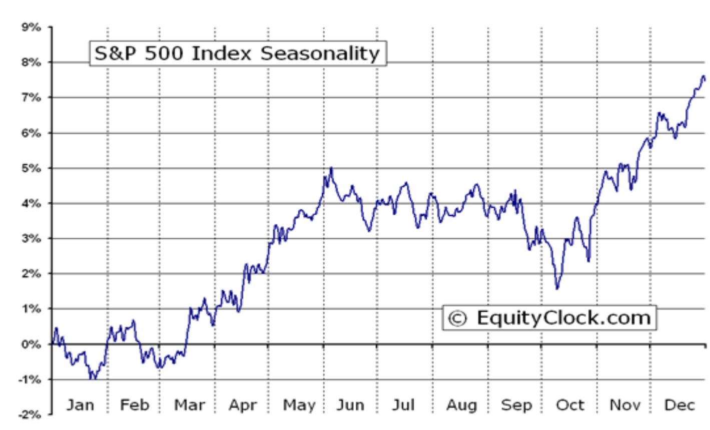
This chart illustrates that the S&P 500 neared its 'fair value' amidst the recent market pullback. The latest decline has moved it closer to a more rational valuation. However, considering the prevailing high rates, a forward Price/Earnings ratio of 19.24—translating to a 5.2% market yield—does not seem all that appealing in an environment where there is a 5.25% risk-free rate.



Valuations are still high but better since the 2022 sell-off

Seasonality

We are currently in a period where the market often dips, reaching its lowest point over the next few weeks, before making a rebound. Based solely on seasonality, I anticipate further selling in this quarter. Historically, November has been a more favorable month to enter the market, but it is worth noting that this indicator is not always foolproof.



The markets have historically gone down until late November

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The plan (subject to change without notification):

Let us review my new assumptions before digging into the plan.

My market assumptions:

- Anticipate a moderate recession in the first half of 2024.
- Expect inflation to stabilize within the 3-5% range.
- Foresee a winter pause in Ukrainian war.
- Believe the Fed has largely concluded its rate hikes.
- Assume short-term bonds have peaked.
- Predict a gradual decline in housing in real terms over the next few years.
- Expect labor market tightness to ease, but with unemployment staying low.
- The impact of AI will start to show in the economy later this year.

I've grown more comfortable with current stock market valuations, especially in light of the recent price drop. Yet, there's a significant possibility of a US recession on the horizon, and high interest rates could spark a global financial crisis. Successfully navigating these challenges, factoring in the ongoing war and inflationary pressures, could pave the way for a robust portfolio.

With both labor and commodities markets showing signs of relaxation, it seems inflation might be tempering in the short term. However, looking further ahead, I anticipate an inflation rate of roughly 5% as the standard for the next decade. As the effects of AI permeate the economy, we might witness a period of restrained inflation coupled with rising unemployment in the forthcoming months and years.

I anticipate a turbulent market in the upcoming weeks.

- October is likely to witness a volatile market, oscillating between 4200-4350.
- There's potential for a market sell-off that could dip below 4000.
- Then everything becomes a big question mark, depending on the economic conditions.

However, I urge caution in placing undue weight on this forecast. My viewpoint is in fluid, changing nearly daily. Given the frequency with which information and conditions evolve, this projection is almost guaranteed be wrong. It merely represents my expectations based on the current data at hand.

The safe play…

Amid the market's turbulence—with its oscillations, imminent downturns, and many of variables both known and unknown—how should one navigate the financial landscape in the upcoming months?

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A prudent approach might be to invest in short-term U.S. bonds for the forthcoming 2-6 weeks. Given that interest rates are nearing their peak, bonds could offer a reasonable risk-reward profile for the first time in decades.

I anticipate that inflation will remain under control in the near term. Bonds can offer a safety net should unforeseen circumstances jolt the economy into a high-risk trajectory. While U.S. Government Bond portfolios might not promise inspiring returns, they present a low risk and offer modest, yet respectable gains.

For an added layer of security, consider focusing on U.S. government bond funds. The slight yield boost from foreign or corporate debt may not justify their associated risks. The primary concern with bonds remains the potential for unabated inflation, even in the wake of the Fed's recent interventions.

Consider reevaluating if we see the appearance of a new upward or downward trend, especially if we move outside the 4200-4350 range in the coming weeks. Stay cautious of deceptive market moves—often, the market may seem to gravitate in one direction, enticing you to make a move, only to pivot and initiate a trend in the opposite direction.

Preparing for Black Swan Events (BSE)

In today's uncertain landscape, it is prudent to prepare for improbable yet profoundly impactful events within the next nine months. Some potential scenarios include:

- Employment or testing of nuclear weapons in or near to Russia.
- A collapse in the housing market by 20%.
- The failure of a major US or European financial institution.
- China real estate implosion.

One of these events could move the market down by 10-50% in days to weeks.

- Cash Substitutes (Short-term)
  - SHY
  - BSV

- Growth

  - Chip sector
  - Nasdaq (QQQ)
  - Nvidia (NVDA)
  - Meta Platforms (META)
  - TSM (TSM)

- Safety
  - Bonds
  - Healthcare (LLY)
  - MO
  - Buy put or put spreads on SPY for a Black Swan Event (BSE)
  - Buy call spreads on VXX corresponding to 50+ VIX for BSE

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To-Do List

Be ready for a sell-off in the next few weeks

Watch…

- Watch for the S&P 500 break below 4200 or above 4350 for 2-3 days
- China's economy, it may be shaping up to be a train wreck.
- Ukraine
- Crude oil
- VIX
- 10's minus 2's
- Dr. Copper

How I can (will) be wrong

- Russian escalation
- Renewed inflation
- The Federal Reserve continues to raise rates
- China has an economic meltdown
- Known unknowns
- Unknown unknowns
- Anything and everything
- Odds are I will be…

Final Thoughts

I have concerns about a potential sell-off this month *and* the risk of missing a market rally while remaining in cash. My plan is to invest towards the end of the month. Yet, preliminary indicators suggest a US recession may be on the horizon. But, like any storm, there are glimpses of sunlight on the other side.

Note: there are still some improbable but highly consequential events simmering on the back burner... tread lightly. If you are seeking safety, short-term bonds are your bet! For the risk-takers, tech and high beta are enticing prospects.

Anticipate my next report around January 2nd, 2024. At that time, I will once again attempt to entertain you with my updates, opinions, reflections, lousy grammar, and exceptionally bad poofreading. 😉 – Mark

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Appendix 1

Value Stocks

This is a short list of some cheap stocks I like. I also show the expected earnings yield for next year, what it is expected to earn in '24 versus its current stock price (i.e., return on investment), and for those who prefer P/E ratios, I have included those also.

Stock	Symbol	Dividend Yield	Est. Earnings Yield (Earnings/Price)	Forward ('24) P/E
Alliance Resources	ARLP	**12.20%**	**22.9%**	4.36
Precision Drilling	PDS	-	**19.5%**	5.12
BP	BP	4.11%	14.0%	7.13
Devon Energy Corporation	DVN	**7.07%**	13.9%	7.17
Diamondback Energy	FANG	4.49%	13.4%	7.49
The Carlyle Group	CG	4.64%	13.2%	7.60
Altria Group	MO	**9.32%**	12.3%	8.10
The Goldman Sachs Group	GS	3.40%	11.1%	8.97
Sunoco	SUN	**6.58%**	10.3%	9.67
JPMorgan Chase	JPM	2.90%	10.2%	9.85
Chubb Limited	CB	1.62%	9.9%	10.11
The Cigna Group	CI	1.72%	9.9%	10.12
Enterprise Products	EPD	**7.31%**	9.8%	10.25
Royal Caribbean	RCL	-	9.2%	10.85
Black Stone Minerals	BSM	**10.97%**	9.2%	10.91
Plains All American Pipeline	PAA	**7.01%**	8.8%	11.35
Halliburton	HAL	1.53%	8.5%	11.81

ARLP is a high reward for moderate risk, but I would call it speculative, and EPD has a good yield for a modest-risk stock.

Most of these are energy, banking, or insurance. If the economy stalls oil will fall, also banks and insurance. These need to be watched closely with current conditions.

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Appendix 2
High Yield

High yield is a precarious investment by nature. Here is a short list of a few of the high-yield investments I like, along with the current market yield.

Stock	Symbol	Yield
Alliance Resources	ARLP	**12.20%**
Invesco KBW High Yield	KBWD	11.35%
Black Stone Minerals	BSM	10.97%
SLR Investment Corp.	SLRC	10.65%
Morgan Stanley EM Debt	MSD	10.44%
JPMorgan Equity Income	JEPI	10.03%
Starwood Property Trust	STWD	9.92%
Ares Capital Corporation	ARCC	9.86%
Kimbell Royalty Partners, LP	KRP	9.75%
Altria Group, Inc.	MO	9.32%
Energy Transfer LP	ET	8.84%
MPLX LP	MPLX	8.72%
Alerian MLP ETF	AMLP	7.80%
Enterprise Products Partners	EPD	7.31%
iShares Preferred and Income	PFF	6.86%
Global X SuperDividend	DIV	6.79%

Many high-yield investments held up despite rising interest rates. If rates were to go down, these instruments would see price appreciation.

In my subjective view, I highlighted the most interesting based on risk vs. reward. Altria (MO) for long-term stable high yield for those willing to own it. The lazy trade is buying the AMLP and paying the fees for a basket with several decent names.

Most of these investments are not regular stocks and typically do not qualify for special tax treatment under U.S. capital gains rules. Most of these investments are a Trust, Real Estate Investment Trust (REIT), Bond fund, Master Limited Liability Partnership (LLP), Master Limited Liability Partnership (MLP), or other tax landmines. I put these instruments in my IRA rollover to avoid most of these tax headaches, but even that potentially creates some tax burden. Be sure you and your investment (tax) advisor know what you may be getting into before investing and getting a crazy high tax bill at the end of the year.

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Appendix 3
Growth

Here is my short list of high-growth investments and the current projected year-on-year growth, forward price-to-earnings ratio, and analyst annual growth projections for the next five years.

Many more stocks had good growth, but their charts could have been better. Last year's sell-off was brutal to all growth stocks; these names may have bottomed.

Stock	Symbol	'24 growth	Forward P/E	5 Yr. Growth
NVIDIA Corporation	NVDA	**55.3%**	**26.03**	**78%**
Marvel	MRVL	**52.6%**	**23.03**	14%
AMD	AMD	**50.4%**	**24.78**	9%
Snowflake Inc.	SNOW	**48.6%**	146.89	**66%**
Amazon	AMZN	**42.5%**	40.36	**83%**
Lam Research Corporation	LRCX	30.2%	**17.5**	**66%**
Netflix, Inc.	NFLX	29.5%	24.54	24%
Eli Lilly	LLY	29.2%	42.56	26%
Meta	META	24.3%	**18.0**	32%
ServiceNow, Inc.	NOW	23.0%	45.59	25%
Taiwan Semiconductor	TSM	21.6%	**14.41**	6%
Alphabet Inc.	GOOG	17.9%	**19.86**	18%
Booking Holdings Inc.	BKNG	17.7%	**18.03**	27%
Salesforce, Inc.	CRM	16.5%	21.6	26%
Microsoft	MSFT	15.0%	25.0	14%
Global Payments Inc.	GPN	13.9%	**9.76**	15%
Adobe Inc.	ADBE	12.8%	28.38	15%

Amazon offers the best year-over-year growth. I believe Eli Lilly and Block offer the best combinations of Growth, P/E, and predictability for a long-term investment.

* Indicates stocks that I own at the time of this publication.

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Appendix 4
Country ETFs

The yields shown below are ’22 total returns, including dividends. I only update this section at the beginning of each year.

Country	ETF symbol	2022 Total Return
Australia	EWA	-5.44%
Brazil	EWZ	**13.36%**
Canada	EWC	-12.25%
Chile	ECH	**22.63%**
China	FXI	-18.83%
EU	VGK	-15.22%
France	EWQ	-11.31%
Germany	EWG	-21.28%
Greece	GREK	2.95%
India	INDA	-8.41%
Indonesia	EIDO	-0.52%
Israel	ISRA	-25.80%
Italy	EWI	-13.13%
Japan	EWJ	-16.99%
Mexico	EWW	3.22%
Russia	RSX	Delisted
South Africa	EZA	-3.09%
South Korea	EWY	-26.39%
Spain	EWP	-4.6%
Sweden	EWD	-26.78%
Switzerland	EWL	-17.53%
Turkey	TUR	**105.1%**
UK	EWU	-4.35%
USA	SPY	-18.14%

The big winner was Turkey, with a respectable 105.1% gain last year.

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My to-do-list for printing

I keep a hard copy on my desk to remind me of the plan and to take notes.

Watch

- Watch for expansion or contraction of monetary policy and any other Fed action
- Watch China
- Ukraine
- Watch Crude oil
- Watch the VIX
- Watch 10's minus 2's
- Watch Dr. Copper

<u>These items should make you reevaluate your assumptions</u>

- Russian escalation or de-escalation
- The Federal Reserve increases the number of rate hike

Buy on a significant dip

Buy ARLP, AMLP, NVDA, EPD, PDS, META, and, LAMX
Buy Healthcare (LLY)
Buy TQQQ and SOXL
Buy put or put spreads on SPY for a Black Swan Event (BSE)
Buy SOXX on a dip for a long-term hold
Buy June 400 puts on the SPY in case, well, just in case, terrible things happen

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